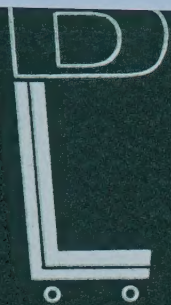
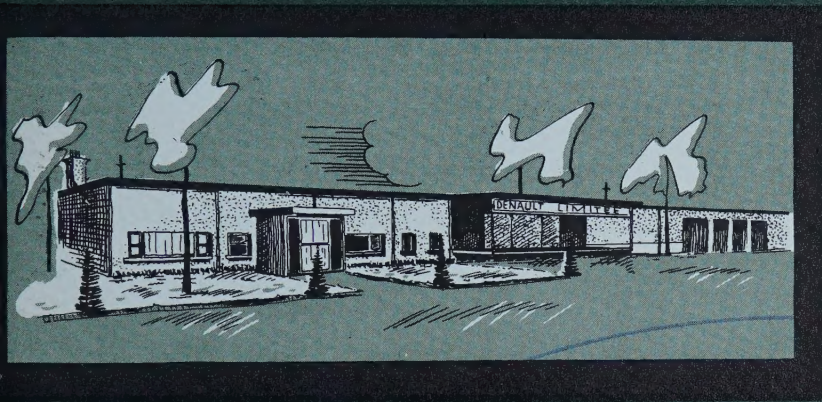


AR44

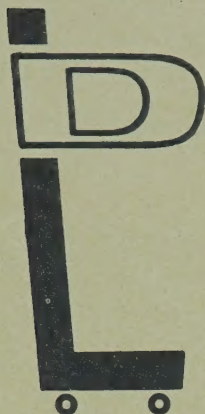


File 48



**29TH
ANNUAL
REPORT**

DENAUULT LIMITÉE 64



DENAULT LIMITÉE

TWENTY-NINTH ANNUAL REPORT FOR THE FISCAL YEAR ENDED MAY 30, 1964

DIRECTORS

PAUL DESRUISSEAU, C.R.
CLAUDE GENEST
GUY-L. HUDON
RAYMOND HUOT
JACQUES LAGASSE
JEAN MARCOUX
JEAN-PAUL MERCIER
GÉRARD PICHE
GASTON ROY
ANTOINE TURMEL
GEORGE VILIM

OFFICERS

JACQUES LAGASSE
Chairman

ANTOINE TURMEL
President and managing director

JEAN-PAUL MERCIER
Vice-president,—administration

GASTON ROY
Vice-president — Sales

RAYMOND HUOT
Vice-president — Expansion

JEAN JUTRAS
Secretary-treasurer

Bankers —

THE PROVINCIAL BANK OF CANADA

Auditors —

LAROCHELLE, SAVARD, GOSSELIN, C.A.

Registrar and transfer agent for class "A" shares —
THE ROYAL TRUST CO.

Trustee —

SHERBROOKE TRUST CO.



The 29th Annual Report of Denault Limitée, covering the affairs and the financial results of the Company for the fiscal year ended May 30, 1964, is submitted on behalf of the Board of Directors. This includes the consolidated statements of Denault Limitée and subsidiaries for the fiscal year ended May 30, 1964. Included also is a report from the Auditors, Messrs. Larochelle, Savard & Gosselin, C.A.. In the past fiscal year, your Company has attained new high records in both sales and earnings and it is most encouraging to see that, with increased operating efficiency, Denault Limitée has more than doubled its net profit per dollar of sales in the last five years.

SALES

Sales for the fifty-two (52) week fiscal year ended May 30, 1964 reached a new high of \$14,239,085, compared with \$12,417,584, for the preceding fiscal year, an increase of \$1,821,501, or 14.67%.

Sales in each of the last ten years have exceeded those of the preceding year at a rate of gain well above that of the total retail food sales growth in this country.

The fact that the increase in sales of your Company was obtained in the same business area is also, in itself, most promising.

PROFITS

Operating Profits for the fiscal year ended May 30, 1964, after deducting all expenses except depreciation and Income Taxes, amounted to \$412,785 compared with \$308,872, for the preceding fiscal year, an increase of \$103,913, or 33½%.

Net Profits, after setting aside \$78,920 to cover depreciation of fixed assets and \$164,611, for Income Taxes, totalled \$169,254, compared with \$120,168, for the previous fiscal year, a gain of \$49,086, or 40.84%.

EARNINGS

Earnings per Class "A" share were \$1.57½ on 96,800 shares issued, compared with \$1.28½ on 83,115 shares issued last year.

A split of the stock, on a five for one basis, was approved by the shareholders at a special meeting held on March 23, 1964. It is felt that the split will afford a broader distribution of the stock which can only be helpful to your Company.

NET WORTH

The net worth of your Company, after consolidation, increased in 1964 to \$1,189,427 compared with \$975,412 for the preceding year.

This is the first time that the net worth of your Company has passed the million dollar mark.

OPERATIONS AND CONTROLS

Formerly a responsibility of the sales division, the control of retail operations, including all supervisory functions, was transferred to a new division under the responsibility of a recently elected vice president Mr. J. Raymond Huot, B. Comm., P. Adm. Mr. Huot, with more than fifteen years experience, in retail grocery will be a precious asset to Denault Limitée.

Your company acquired, on May 23, 1964, all the outstanding shares of Maurice Chevalier Inc. of Three Rivers, Quebec, the largest grocery distributor in the St. Maurice Valley. Sales and earnings of this Company were not consolidated with those of Denault Limitée for its fiscal year ended May 30, 1964.

The St. Maurice Valley region offers enormous growth possibilities. Plans are presently under way to develop, besides the already existing Radisson voluntary group, our two major voluntary groups, namely, Supreme and Alouette and, to this effect, a complete re-organization of the operating methods of Maurice Chevalier Inc. is under way.

A prime location site has been purchased in Shawinigan South and your Company's first Cash and Carry operation, presently under construction, is scheduled for opening very shortly.

We have also started the programming of an I.B.M. 1440 electronic computer. This electronic computer will be in operation at the beginning of our next fiscal year, in June, 1965 and, besides an infinite number of services it will offer your Company, the data available will enable us to offer our customers operation controls which will prove to be most beneficial.

OUTLOOK AND EXPANSION

The wholesale grocery business will be dominated, in the future, by a small number of large operators with ample financial resources. These wholesalers will be able to help the retailers compete and take business away from the corporate chains by offering them, with the help of highly qualified field staff, a full range of services along with specialized technical know-how.

To further the expansion of your Company, your management is now contemplating the acquisition of other wholesale business outside its present areas of operations and is, also, considering other Cash and Carry Depots in areas where these will prove profitable.

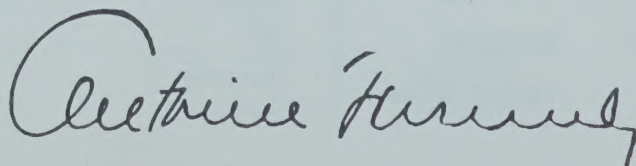
We also anticipate, for the current fiscal year, recruiting additional members for our voluntary groups while upgrading many of our affiliated members.

We intend to continue the strong development program of our supervisory staff as we feel retailers can be best served by wholesalers who can offer a complete merchandising and store service program. Your management is very optimistic about the future and feels confident that the current year's operations will show net results never yet attained by your Company.

A WORD OF THANKS

The Board of Directors wishes to extend its deep appreciation for their patronage to all its customers and recognizes that their loyal support has been a major factor in the success of Denault Limitée in this last fiscal year.

We also anticipate, for the current fiscal year, recruiting additional members for cooperation and, to our shareholders for their continued confidence.



DENAULT LIMITEE and its wholly owned subsidiaries



CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the period ending May 30, 1964

(With comparative figures to June 1, 1963)

	Period ending May 30, 1964	Period ending June 1, 1963
Net sales	\$14,239,085	\$12,417,584
Cost of sales	13,035,506	11,464,032
Gross Profit	\$ 1,203,579	\$ 953,552
Operating expenses	790,794	644,680
	\$ 412,785	\$ 308,872
Depreciation (Note 4)	78,920	74,947
Net profit before income taxes	\$ 333,865	\$ 233,925
Incomes taxes	164,611	113,757
NET PROFIT FOR THE PERIOD	\$ 169,254	\$ 120,168



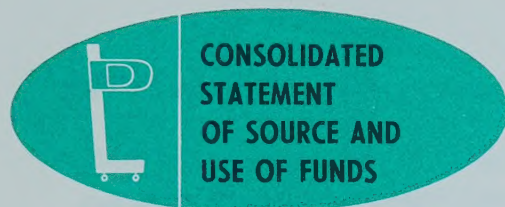
CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the period ending May 30, 1964

(With comparative figures to June 1, 1963)

	Period ending May 30, 1964	Period ending June 1, 1963
Opening balance	\$ 347,192	\$ 278,028
Net Profit	169,254	120,168
	\$ 516,446	\$ 398,196
Dividends	\$ 73,789	\$ 51,004
Closing Balance	\$ 442,657	\$ 347,192

DENAULT LIMITEE and its wholly owned subsidiaries



We received our funds :

	Period ending May 30, 1964	Period ending June 1, 1963
Net profit for the period	\$169,254	\$120,168
Depreciation	78,920	74,947
Amortization of discount on debentures	3,000	3,000
Increase of our mortgages payable	280,755	242,066
Issue of class "A" shares to employees under stock option agreement	39,200	6,000
Issue of class "A" shares to bondholders	79,350	45,160
Reimbursements of a mortgage	—	12,130
Reimbursements of loans for retail stores expansion	—	5,900
Decrease of our working capital	118,473	152,502
Reimbursement of a part of a mortgage	158	—
Accumulated tax reductions applicable to future years	15,854	—
	<u>\$784,964</u>	<u>\$661,873</u>

We used our funds for :

Purchase of fixed assets related to our expansion program	\$459,075	\$553,085
Redemption of debentures	25,000	26,000
Payment of dividends	73,789	51,004
Grant of mortgages	—	7,384
Grant of loans for retail stores expansion	1,600	24,400
Installment on shares of a subsidiary	225,000	—
Other investments	500	—
	<u>\$784,964</u>	<u>\$661,873</u>



**CONSOLIDATED
BALANCE SHEET
AS AT MAY 30, 1964**

(WITH COMPARATIVE FIGURES AS AT JUNE 1, 1963)

ASSETS

CURRENT ASSETS	May 30, 1964	June 1, 1963
Cash on hand and in banks	\$ 131,827	\$ 220,590
Accounts and notes receivable	217,915	236,341
Inventories at the lower of cost or market	1,018,734	849,706
Prepaid expenses	16,612	20,406
Total Current Assets	<u>\$1,385,088</u>	<u>\$1,327,043</u>
INVESTMENTS		
Installment on purchase of shares of a subsidiary (Note 5)	\$ 225,000	—
Mortgage receivable	7,226	7,384
Loans for retail stores expansion	52,100	50,500
Others	1,419	919
Total Investments	<u>\$ 285,745</u>	<u>\$ 58,803</u>
FIXED ASSETS — at cost		
Buildings and equipment	\$1,971,130	\$1,548,188
Accumulated depreciation (Note 4)	363,412	288,808
	<u>\$1,607,718</u>	<u>\$1,259,380</u>
Land	190,086	158,269
Total Fixed Assets	<u>\$1,797,804</u>	<u>\$1,417,649</u>
DISCOUNT ON DEBENTURES	\$ 20,250	\$ 23,250
	<u>\$3,488,887</u>	<u>\$2,826,745</u>

Approved on behalf of the board

J. Lagassé, director

A. Turmel, director

EXPLANATORY NOTES TO THE FINANCIAL CONSOLIDATED STATEMENTS

1. — The company still has options for 9900 class "A" shares outstanding and under the terms and conditions of the trust deed of hypothec dated March 1, 1961, bondholders have rights on 800 class "A" shares.
2. — As at May 30, 1964 the company was contingently liable in respect of notes discounted in the amount of \$42,353.06.
3. — Class "A" shares are entitled to a yearly non-cumulative and preferred dividend of \$0.60. They are participating and non voting except if a minimum dividend of \$0.15 is not paid for two successive years. Class "B" shares are common shares.
4. — Depreciation is being recorded at an annual rate of 2.5% on the cost of buildings, 10% on the cost of furniture, fixtures, machinery and equipment and of 30% on the net value of automotive equipment.
5. — During the period the Company acquired all the issued and outstanding shares of Maurice Chevalier Inc., A substantial amount was advanced prior to May 30, 1964, in connection with the acquisition on May 23, 1964, of all the issued and outstanding shares of Maurice Chevalier Inc. The assets and liabilities of Maurice Chevalier Inc. were not consolidated as at May 30, 1964.

LIABILITIES

	May 30, 1964	June 1, 1963
CURRENT LIABILITIES		
Bank loans — secured	\$ 514,000	\$ 280,525
Accounts payable and accrued liabilities	502,059	627,127
Current installments on mortgages	46,371	9,994
Dividends payable	20,407	13,217
Income taxes payable	85,948	61,404
Total Current Liabilities	<u>\$1,168,785</u>	<u>\$ 992,267</u>
LONG TERM LIABILITIES		
Debentures 6¾% sinking fund, due March 1st, 1971	\$ 424,000	\$ 449,000
Mortgages payable	690,821	410,066
	<u>\$1,114,821</u>	<u>\$ 859,066</u>
Accumulated Tax Reductions Applicable to Future Years	<u>\$ 15,854</u>	<u>—</u>
SHAREHOLDERS' EQUITY		
<i>Capital stock</i> (Notes 2 and 3)		
Authorized: 200,000 class "A" shares 15,000 class "B" shares		
Issued and fully paid:		
96,800 class "A" shares (83,115 shares in 1963)	484,000	415,575
15,000 class "B" shares	75,000	75,000
Contributed surplus	157,770	107,645
Retained earnings	442,657	347,192
Excess of par value over cost on shares of subsidiary	30,000	30,000
TOTAL SHAREHOLDERS' EQUITY	<u>\$1,189,427</u>	<u>\$ 975,412</u>
	<u>\$3,488,887</u>	<u>\$2,826,745</u>

AUDITOR'S REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Denault Limitée and its wholly owned subsidiaries as at May 30, 1964 and the consolidated statements of surplus and profit and loss for the year ended on that date. Our examination included a general review of the accounting and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and consolidated statements of surplus and profit and loss supplemented by the notes thereto, present fairly the financial position of the company as at May 30, 1964, and the results of its operations for the period from June 1, 1963 to May 30, 1964, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceeding year.

LAROCHELLE, SAVARD & GOSSELIN, C. A.
Chartered Accountants.

Sherbrooke, July 24, 1964.



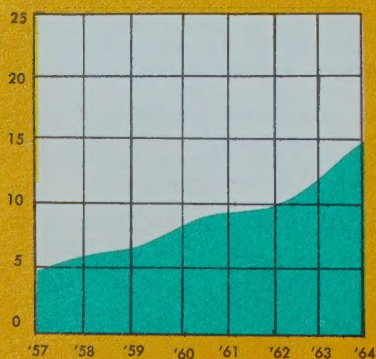
EIGHT YEARS COMPARAISON FOR FINANCIAL AND OPERATING STATISTICS

	1964	1963	1962
SALES	\$14,239,085	\$12,417,584	\$10,763,441
Net profit before depreciation and income taxes	412,785	308,872	239,271
Depreciation	78,920	74,947	65,767
Net profit before income taxes	333,865	233,925	173,504
Net profit per dollar of sales (in cents) before income taxes	2.34¢	1.88¢	1.61¢
Income taxes	164,611	113,757	81,810
Net profit after income taxes	169,254	120,168	91,694
Net profit per dollar of sales (in cents) after income taxes	1.19¢	0.96¢	0.85¢
Working capital	216,303	334,776	487,278
Total assets	3,488,887	2,826,745	1,959,551
Shareholders' equity	1,189,427	975,412	855,088
Shareholders outstanding (class "A")	96,800	83,115	76,670
Net profit per share (class "A")	\$1.575	\$1.285	\$1.065

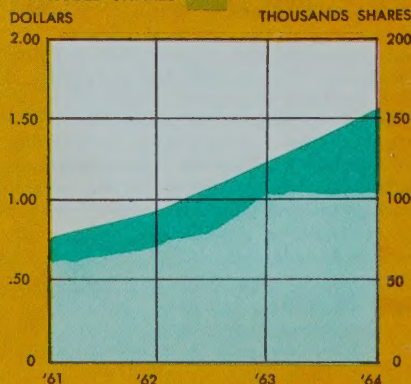


DENAULT LIMITEE TRENDS

SALES
MILLIONS OF DOLLARS



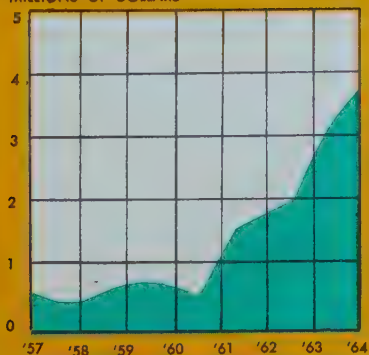
NET PROFIT PER SHARE
ISSUED SHARES



1961	1960	1959	1958	1957
\$9,062,818	\$7,922,216	\$7,046,409	\$5,917,324	\$5,065,321
179,422	113,521	101,740	88,872	64,965
54,673	33,460	30,918	27,988	14,275
124,749	80,061	70,822	60,884	50,690
1.38¢	1.01¢	1.00¢	1.03¢	1.00¢
56,994	32,923	27,377	23,335	18,549
67,755	47,138	43,445	37,549	32,141
0.75¢	0.60¢	0.61¢	0.63¢	0.63¢
598,059	192,061	159,058	119,001	141,075
1,728,582	777,516	875,783	607,308	506,863
813,576	310,301	263,162	219,950	182,620
70,825	—	—	—	—
\$0.86	—	—	—	—

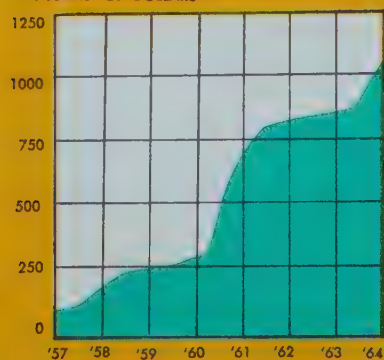
TOTAL ASSETS

MILLIONS OF DOLLARS



SHAREHOLDERS' EQUITY

THOUSAND OF DOLLARS



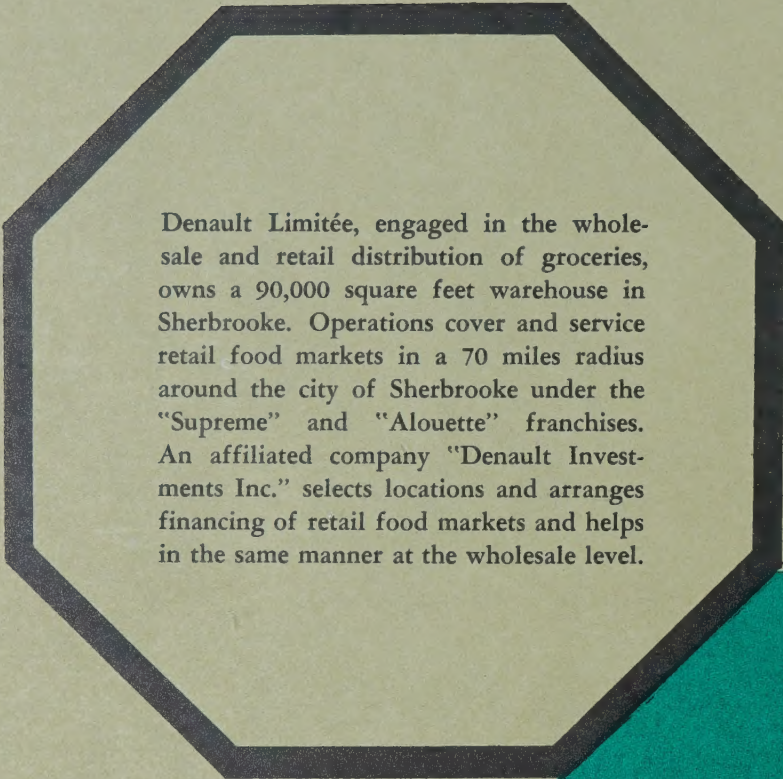
GROWTH POTENTIAL

The whole center of the Province of Quebec is the territory covered by Denault Limitée and its affiliated companies. This market constitutes an unlimited field of activities. More than one-fifth of the population of this province live in this area where industries are numerous and prosperous.

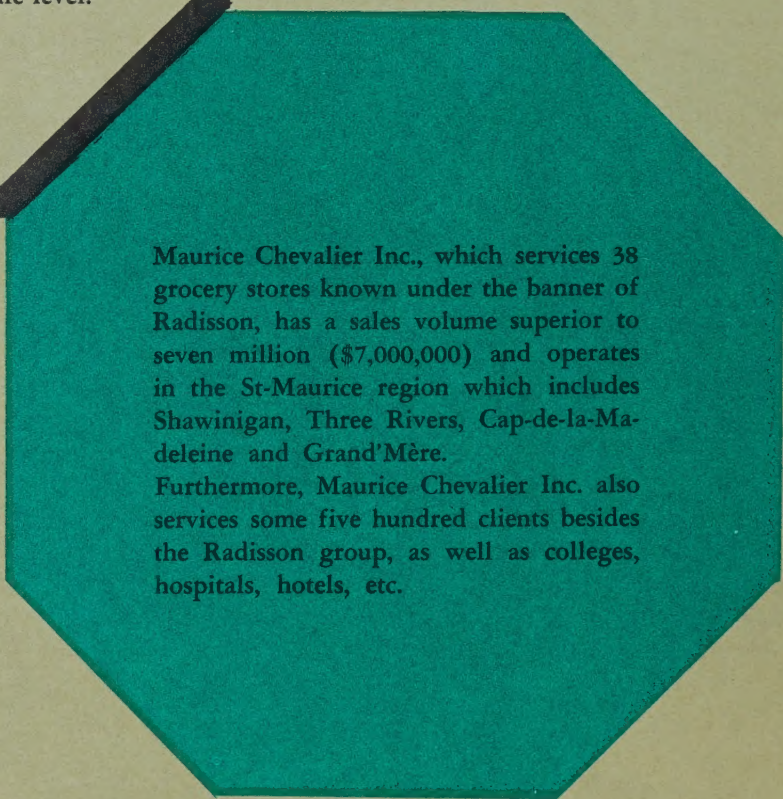
It is possible to accommodate the needs of everyone in these regions from the Company's actual warehouses.







Denault Limitée, engaged in the whole-sale and retail distribution of groceries, owns a 90,000 square feet warehouse in Sherbrooke. Operations cover and service retail food markets in a 70 miles radius around the city of Sherbrooke under the "Supreme" and "Alouette" franchises. An affiliated company "Denault Investments Inc." selects locations and arranges financing of retail food markets and helps in the same manner at the wholesale level.



Maurice Chevalier Inc., which services 38 grocery stores known under the banner of Radisson, has a sales volume superior to seven million (\$7,000,000) and operates in the St-Maurice region which includes Shawinigan, Three Rivers, Cap-de-la-Madeleine and Grand'Mère. Furthermore, Maurice Chevalier Inc. also services some five hundred clients besides the Radisson group, as well as colleges, hospitals, hotels, etc.

